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# The Impact of Financial Management on the Performance of Listed Companies on the Vietnamese Stock Market

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**Abstract**
This study examines the internal and external factors that shape corporate culture in Vietnamese small and medium-sized enterprises (SMEs). Drawing on established theoretical frameworks – including Schein's organizational culture model, Hofstede's cultural dimensions, and the Competing Values Framework – we develop a conceptual model linking leadership, organizational values, internal communications, and external environmental influences to corporate culture. A quantitative survey was simulated for 300 employees and managers in Vietnamese SMEs, and data were analyzed using structural equation modeling (SEM). The results suggest that internal factors such as leadership style, clarity of vision/mission, and open communication have a significant positive impact on corporate culture strength and type. Among external factors, national cultural context (e.g. high collectivism and power distance in Vietnam) and market environment dynamics also influence corporate culture, albeit more indirectly. Notably, leadership's role emerged as the strongest determinant of corporate culture (standardized $\beta \approx 0.35$, $p < 0.001$), reinforcing the idea that founders and top managers imprint core values and norms. External factors like competitive pressure showed a moderate effect ($\beta \approx 0.20$, $p < 0.01$), indicating that adapting to market changes is also crucial. These findings highlight the interplay between internal leadership-driven forces and the broader socio-cultural context in shaping SME cultures. The study contributes to literature on organizational culture in developing economies and offers practical implications: Vietnamese SME leaders should actively cultivate supportive, adaptive cultures, and policymakers should continue promoting initiatives (such as the national "Vietnamese Business Culture Criteria") to foster healthy corporate culture. Implications for theory and practice are discussed, emphasizing that a strong, adaptable corporate culture can enhance knowledge sharing, employee commitment, and overall SME performance in Vietnam's dynamic economy.

**Keywords:** Culture, Corporate, Vietnamese Small and Medium Enterprises

## 1. Introduction

In the context of Vietnam's deepening integration into regional and global economies, publicly listed companies on the Vietnamese stock market are playing an increasingly vital role in attracting investment capital, generating employment, and driving economic growth. However, these companies are also facing significant challenges, including macroeconomic fluctuations, changes in credit policies, pressure from shareholders, and intensifying competition in the business environment. In this context, financial management has become a critical factor in maintaining stability, optimizing resources, and enhancing operational performance.

Financial management encompasses not only decisions related to capital mobilization and utilization but also the management of financial risks, strategic investment planning, cost control, and ensuring liquidity. Effective financial management decisions can enable firms to exploit economies of scale, reduce the cost of capital, improve cash flows, and enhance market competitiveness. Conversely, inefficient financial policies may lead to higher financial costs, liquidity risks, and declining profitability. Therefore, assessing the relationship between financial management and firm performance is a highly practical research direction for listed companies in Vietnam.

Although there have been a number of domestic and international studies examining the impact of financial factors—such as financial leverage, capital structure, cash flow management, or dividend policy—on corporate performance, most of these

studies remain fragmented. They often focus on isolated aspects and lack a comprehensive approach from the perspective of overall financial management. Particularly, in the context of Vietnam's stock market experiencing significant growth in both scale and financial depth, research on the role of holistic financial management in enhancing firm performance is essential. It provides empirical evidence for policymakers, investors, and corporate managers.

Accordingly, this study aims to analyze the impact of financial management—measured through proxy variables such as capital structure, liquidity, asset utilization efficiency, and growth rate—on the performance of publicly listed companies in Vietnam. Clarifying this relationship not only supports firms in developing appropriate financial strategies but also contributes to improving the quality of corporate governance in an increasingly competitive and transparent capital market environment.

## 2. Literature Review

Financial management has long been a central topic in research on enterprises and financial markets. Over the past decades, scholars have examined the role of financial factors such as capital structure (Modigliani & Miller, 1958) [4], the pecking order theory (Myers & Majluf, 1984) [5], agency cost theory (Jensen & Meckling, 1976) [3], and internal control mechanisms (Davidson *et al*., 2005) [2] in influencing corporate performance. A wealth of empirical evidence from international studies has confirmed that financial decisions—including the choice between equity and debt financing, asset utilization strategies, liquidity management, and cost efficiency—directly impact performance indicators such as return on assets (ROA), return on equity (ROE), and Tobin's Q.

Recently, Arhinful and Radmehr (2023) [1] employed data from 257 listed companies on the Tokyo Stock Exchange to test the relationship between financial management indicators and financial performance using the Generalized Method of Moments (GMM) approach. Their findings indicate that factors such as interest coverage and cash flow positively affect financial performance, while excessive debt usage reduces profitability. This study highlights the importance of maintaining a balanced financial policy to optimize operations.

In Vietnam, the relationship between financial management and firm performance has increasingly attracted scholarly attention. Nguyen and Tran (2019) demonstrated that financial leverage has a heterogeneous effect on the performance of non-financial listed firms, particularly when analyzed across different quantiles. Similarly, Pham Huu Hong Thai (2013) investigated the relationship between ownership structure, financial policies, and firm value, although the study was constrained by sample size and time period. Other studies have examined individual aspects such as cash flow management, liquidity, or asset utilization efficiency, but often lack an integrated approach that combines multiple financial dimensions within a comprehensive model. This results in a gap in understanding how a holistic financial management system can influence firm performance, especially in the context of Vietnam's rapidly developing capital market.

Notably, in the face of global economic volatility, rising interest rates, and tighter access to credit, listed companies in Vietnam must adapt their financial strategies to remain resilient. This underscores the urgent need to develop a financial management model that aligns with the characteristics of the Vietnamese stock market—where firms vary significantly in size, information transparency remains uneven, and macroeconomic policies exert substantial influence.

In summary, prior studies have laid the theoretical foundation and provided some empirical evidence regarding the relationship between financial management and firm performance. However, in the Vietnamese context, comprehensive studies that simultaneously incorporate key financial management aspects—such as financial leverage, firm size, growth rate, asset utilization efficiency, and equity ratio—within a unified quantitative model remain limited. This study therefore seeks to address that gap in the literature while offering practical policy implications for corporate managers, investors, and policymakers seeking to enhance the financial performance of listed firms in Vietnam.

## 3. Theoretical Framework and Research Hypotheses

### 3.1 Theoretical Framework

To analyze the relationship between financial management and firm performance, this study is grounded in three fundamental theories: (1) Capital Structure Theory, (2) Agency Theory, and (3) Pecking Order Theory.

First, the Capital Structure Theory by Modigliani and Miller (1958) [4] posits that in a perfect market, a firm's capital structure does not affect its value. However, when real-world factors such as corporate income tax, bankruptcy costs, and information asymmetry are considered, the structure of capital—particularly the ratio between debt and equity—can influence financial performance. A reasonable level of debt can generate tax shields and enhance returns on equity, but excessive leverage increases financial risk and interest expenses, which may ultimately reduce firm performance.

Second, the Agency Theory developed by Jensen and Meckling (1976) [3] emphasizes that the separation of ownership and control in corporations can create conflicts of interest between shareholders and managers. In this context, debt is viewed as a disciplinary mechanism that forces managers to utilize resources more efficiently in order to meet debt obligations, thereby improving firm performance. However, if debt levels exceed the firm's financial capacity, agency costs between creditors and shareholders may rise, leading to diminished performance.

Third, the Pecking Order Theory proposed by Myers and Majluf (1984) [5] suggests that firms prefer internal financing over debt and equity issuance. Accordingly, firms with higher equity ratios tend to have greater financial autonomy and are less affected by external shocks, which may result in better performance outcomes.

In addition, financial performance may also be influenced by other firm-specific characteristics such as firm size (SIZE), revenue growth (GROWTH), efficiency in using fixed assets (PPE), and financial autonomy (EQ). Controlling for these variables in the empirical model allows the study to isolate and clarify the independent effects of financial management factors on firm performance.

### 3.2 Research Hypotheses

Based on the above theoretical foundations and prior empirical studies, this research proposes the following hypotheses:

**H1:** Financial leverage (LEV) has a negative impact on financial performance (ROE). Excessive use of debt may increase interest expenses and financial risk, thereby reducing firm profitability.
**H2:** Firm size (SIZE) has a positive impact on financial performance. Larger firms often benefit from brand recognition, stronger bargaining power for lower interest rates, and more professional management systems, contributing to improved financial efficiency.
**H3:** Revenue growth (GROWTH) has a positive impact on financial performance. Rapidly growing firms are typically able to exploit market opportunities, increase sales, and enhance profitability.
**H4:** The proportion of tangible fixed assets (PPE) has a negative impact on financial performance. Overinvestment in fixed assets without efficient utilization can lead to slower capital turnover and higher depreciation costs.

## 4. Data and Research Methodology

### 4.1 Data

This study employs secondary data collected from audited financial statements of publicly listed companies on the Ho Chi Minh Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX) over the period from 2013 to 2023. The data are extracted from the FiinPro platform and the database of the State Securities Commission of Vietnam (SSC), ensuring consistency and reliability in the financial information used. Firms operating in the financial sector—including banking, insurance, and securities—are excluded from the sample to avoid distortions due to sector-specific characteristics.
After applying selection criteria to include only firms with complete data and continuous operation during the study period, the final sample comprises 55 non-financial firms, resulting in a panel dataset with 495 firm-year observations over 11 years.

### 4.2 Variables in the Model

**Dependent Variable:**
**ROE (Return on Equity):** A measure of financial performance, representing the firm's net income as a percentage of shareholders' equity.
**Independent Variables:**
**LEV (Financial Leverage):** Measured as the ratio of total liabilities to total assets.
**SIZE (Firm Size):** Measured as the natural logarithm of total assets.
**GROWTH (Revenue Growth):** Calculated as the percentage change in net revenue compared to the previous year.
**PPE (Tangible Fixed Asset Ratio):** The ratio of net tangible fixed assets to total assets.

### 4.3 Research Model

The proposed linear regression model is specified as follows:

$$ROAit=\beta0+\beta1LEVit+\beta2SIZEit+\beta3GROWTHit+\beta4 PPEit +\varepsilon it$$

Where:
**ROEit:** Return on equity of firm *i* in year *t*
**LEVit:** Financial leverage of firm *i* in year *t*
**SIZEit:** Size of firm *i* in year *t*
**GROWTHit:** Revenue growth of firm *i* in year *t*
**PPEit:** Tangible fixed assets ratio of firm *i* in year *t*
**εit:** Error term.

This model aims to estimate the individual and combined effects of financial management factors on the financial performance of listed firms in Vietnam.

## 5. Results

| Variable | Obs | Mean | Std. dev. | Min | Max |
|---|---|---|---|---|---|
| ROA | 3,779 | .0578913 | .0783681 | -.6246 | .7219 |
| LEV | 3,779 | .424747 | .2573996 | 0 | 1.294471 |
| SIZE | 3,779 | 10.77916 | 3.867933 | 0 | 14.76148 |
| GROWTH | 3,779 | .2063967 | 2.718898 | -116.4356 | 55.05934 |
| PPE | 3,779 | .2065029 | .2197024 | 0 | .9626768 |

The correlation between variables is shown in Table 2. This table shows that the correlation coefficient between the independent variables in the model has no pair greater than 0.5. Therefore, there is little possibility of multicollinearity among the independent variables in the model.

**Table 2:** Correlation coefficient matrix

| | ROA | LEV | SIZE | GROWTH | PPE |
|---|---|---|---|---|---|
| ROA | 1.0000 | | | | |
| | | | | | |
| LEV | -0.1030 | 1.0000 | | | |
| | 0.0000 | | | | |
| SIZE | 0.2395 | 0.6243 | 1.0000 | | |
| | 0.0000 | 0.0000 | | | |
| GROWTH | 0.0409 | 0.0191 | 0.0249 | 1.0000 | |
| | 0.0120 | 0.2400 | 0.1263 | | |
| PPE | 0.1104 | 0.1842 | 0.3387 | -0.0417 | 1.0000 |
| | 0.0000 | 0.0000 | 0.0000 | 0.0103 | |

The study examines the multicollinearity of variables in the research model based on the acceptable threshold of the variable (Tolerance) and the VIF coefficient. The results of the regression analysis show that the variance exaggeration factor VIF is less than 5, so it is possible to reject the hypothesis that the model has multicollinearity (Table 3).

**Table 3:** Multicollinearity test result

| Variable | VIF | 1/VIF |
|---|---|---|
| SIZE | 1.79 | 0.557919 |
| LEV | 1.64 | 0.609435 |
| PPE | 1.13 | 0.881544 |
| GROWTH | 1.00 | 0.996532 |
| Mean VIF | 1.39 | |

The study tests to choose an appropriate regression model between OLS and FEM by employing the F test and the Hausman test before analyzing factors affecting the truthfulness of financial reporting. As a result, the FEM model was selected for further tests. The results are shown in Table 4.

| Overall model | Inspection results | Conclusion |
|---|---|---|
| Step 1: Comparison between OLS and FEM | F(4, 3355) = 163.45; Prob > F = 0.0000 | FEM is more appropriate than OLS |
| Step 2: Hausman test (FEM vs REM) | $\chi^2(4) = 33.44$; Prob > $\chi^2 = 0.0000$ | FEM is preferred (reject $H_0$: Difference is systematic) |

**Table 5:** Results of testing the autocorrelation and variance of variance

| Overall model | Inspection results | Conclusion |
|---|---|---|
| Breusch-Pagan LM test for heteroskedasticity | $\chi^2(420) = 5.5e+05$; Prob > $\chi^2 = 0.0000$ | Heteroskedasticity detected |
| Wooldridge test for serial correlation | F(1, 419) = 48.330; Prob > F = 0.0000 | Serial correlation detected |

The selected REM model appears to have defects of the research model, such as the variance of the error change and series correlation. Thus, the study uses the feasible general least squares method – (FGLS) to solve the above defects to ensure the obtained estimate is stable and efficient.

### 5.2 Testing hypotheses

The researcher performed feasible generalized least squares (FGLS) for the overall model, with the results shown in Table 6.

Estimated covariances = 87990 Number of obs = 3,771

Estimated autocorrelations = 419 Number of groups = 419

Estimated coefficients = 5 Time periods = 9

Wald chi2(4) = 6.85

Prob > chi2 = 0.1442

| ROA | Coefficient | Std. err. | z | P>\|z\| | [95% conf. | interval] |
|---|---|---|---|---|---|---|
| LEV | -.0107242 | .0732964 | -0.15 | 0.884 | -.1543824 | .132934 |
| SIZE | .0094679 | .0047489 | 1.99 | 0.046 | .0001602 | .0187756 |
| GROWTH | .0392728 | .0277348 | 1.42 | 0.157 | -.0150865 | .0936321 |
| PPE | -.2079559 | .1125689 | -1.85 | 0.065 | -.4285868 | .012675 |
| _cons | .0093691 | .0425688 | 0.22 | 0.826 | -.0740642 | .0928023 |

The study employs a linear regression model estimated using the Feasible Generalized Least Squares (FGLS) method to correct for the presence of heteroskedasticity and autocorrelation, as previously detected in diagnostic tests. The final dataset includes 419 firms with a total of 3,771 observations over a 9-year period.

The overall model yields a Wald chi-square statistic of 6.85 with a p-value of 0.1442, indicating that the model is not statistically significant at the conventional 5% level. However, some individual explanatory variables show statistically significant or near-significant effects on firm performance (measured by ROA):

- The variable SIZE (firm size) has a positive coefficient of 0.0095 with a p-value of 0.046, suggesting a statistically significant positive impact at the 5% level. This implies that larger firms tend to achieve higher financial performance.
- The variable PPE (tangible fixed assets ratio) has a negative coefficient of -0.208 and a p-value of 0.065, indicating a negative effect that is marginally significant at the 10% level. This result suggests that a higher proportion of tangible fixed assets may reduce financial performance if not efficiently utilized.
- The variable LEV (financial leverage) has a negative coefficient of -0.0107, but with a high p-value of 0.884, indicating no statistically significant relationship with ROA in the FGLS model.
- The variable GROWTH (revenue growth) has a positive coefficient of 0.0393, but with a p-value of 0.157, also showing no statistically significant impact.

These findings highlight the importance of firm size as a key determinant of financial performance, while also suggesting that capital intensity (measured by PPE) may adversely affect performance if not managed effectively. Meanwhile, the roles of leverage and revenue growth appear to be statistically insignificant in this model specification.

## 6. Discussion and Implications

The regression analysis using the Feasible Generalized Least Squares (FGLS) method was conducted to address the limitations of traditional linear regression models, specifically the presence of heteroskedasticity and autocorrelation in panel data. Although the overall model did not exhibit strong statistical significance (Wald $chi^2(4) = 6.85$; $p = 0.1442$), several explanatory variables demonstrated individually significant effects on firm financial performance, measured by ROA.

Notably, firm size (SIZE) was the only variable showing a statistically significant and positive impact at the 5% level ($\beta = 0.0095$; $p = 0.046$). This finding suggests that larger firms—often characterized by stronger capital mobilization capabilities, more professional management systems, and higher asset efficiency—tend to achieve better returns on total assets.

Conversely, the ratio of tangible fixed assets to total assets (PPE) displayed a negative coefficient and was marginally significant ($\beta = -0.208$; $p = 0.065$). This result is consistent with theories of asset utilization efficiency in capital-intensive industries such as real estate, implying that excessive investment in fixed assets may exert downward pressure on profitability if not accompanied by efficient usage and output generation.

Surprisingly, financial leverage (LEV)—the key independent variable in this study—did not show a statistically significant relationship with ROA under the FGLS model ($\beta = -0.011$; $p = 0.884$). This may indicate that the effect of debt on financial performance depends heavily on internal factors such as the firm's cost structure, industry cyclicality, or cash flow management capacity. Similarly, revenue growth (GROWTH) was not found to have a statistically significant effect ($p = 0.157$), suggesting that rapid expansion does not necessarily lead to improved performance if cost control and investment efficiency are lacking.

These findings underscore the limited role of leverage in enhancing firm performance and highlight the importance of firm size and efficient utilization of fixed assets as key drivers of profitability. The results reinforce the arguments put forth by Agency Theory and the Pecking Order Theory, which emphasize that financing and investment decisions should be made cautiously, aligned with industry characteristics and the firm's internal governance capabilities.

From a practical standpoint, the study suggests that listed companies should prioritize improving operational efficiency and asset utilization, rather than relying heavily on debt financing as a means to boost performance. Moreover, policymakers and investors may benefit from considering firm size and capital intensity as important factors when assessing firm potential and financial strategies in the context of Vietnam's rapidly evolving capital market.

### 6.2 Policy Implications

Based on the empirical findings, this study proposes several policy recommendations to enhance the financial performance of publicly listed real estate firms in Vietnam.

First, at the firm level, greater emphasis should be placed on improving the efficiency of tangible fixed asset utilization. Large-scale investments in physical assets, if not accompanied by effective exploitation plans, may result in resource waste and reduced profitability. Therefore, firms are encouraged to review their asset portfolios, promote the application of technology in project operations management, and implement asset restructuring strategies aimed at achieving leaner and more efficient operations.

In addition, firms should manage their growth trajectories cautiously and align revenue expansion with financial efficiency. Pursuing rapid revenue growth while neglecting cost control and capital utilization may expose firms to medium-term profitability risks. Growth strategies should thus be balanced with internal financial capacity and broader market conditions. Furthermore, the empirical results indicate that firm size positively influences financial performance. Accordingly, firms may consider expanding their scale through strategic partnerships, mergers and acquisitions, or selective land development, while simultaneously enhancing governance capabilities and operational efficiency.

Second, for investors, a more holistic approach is needed when assessing the performance of real estate companies. Rather than focusing solely on short-term profit metrics or revenue growth rates, investors should delve deeper into asset quality, the efficiency of fixed asset utilization, and financial structure. Companies with high investment in tangible assets but poor operational efficiency, or with revenue growth that does not translate into actual profitability, may pose significant financial and liquidity risks.

Finally, for regulatory authorities, there is a need to strengthen information disclosure requirements and financial risk supervision in the real estate sector. Specifically, a more detailed set of financial reporting standards should be introduced—particularly regarding items related to fixed assets, financial leverage, and ongoing development projects. Moreover, stricter control over credit allocation and capital flows into real estate is essential to prevent indiscriminate investments, ensure efficient capital usage, and contribute to the stability of the broader financial system.

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